

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

COX & PERKINS EXPLORATION, INC.  
AI # 94548

PROCEEDINGS UNDER THE LOUISIANA  
ENVIRONMENTAL QUALITY ACT  
LA. R.S. 30:2001, ET SEQ.

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Enforcement Tracking No.  
AE-CN-03-0346

SETTLEMENT

The following Settlement is hereby agreed to between Cox & Perkins Exploration, Inc. ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a corporation who operates an oil and gas production facility, Temple Inland 19 No. 1 Tank Battery, located at 3710 Camp Edgewood Road in Ragley, Beauregard Parish, Louisiana ("the Facility").

II

On April 23, 2004, the Department issued a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-03-0346, to Respondent, which was based upon the following findings of fact:

Respondent submitted a permit application on December 10, 2001, and a permit application modification on February 25, 2002. The facility operates under Air Permit No. 0320-00059-00, issued on June 7, 2002.

On or about August 13, 2003, a compliance evaluation inspection of Respondent's facility was performed to determine the degree of compliance with the Act and Air Quality Regulations.

While the Department's investigation is not yet complete, the following violations were noted during the course of the inspection.

- A. The facility began operation in November of 2001. The Respondent submitted a permit application to the Department on December 10, 2001. The Respondent failed to submit a permit application prior to operation of the facility. This is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act. The Respondent was issued Air Permit No. 0320-00059-00 on June 7, 2003.
- B. Four 400-barrel common vent water tanks were onsite at the time of the inspection and were not included in the current operating permit. Each operation of an emission source that is not included in the operating permit is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057 (A)(2) of the Act.
- C. According to the Respondent's monthly production ledger, dated August 18, 2003, the oil production rate for the 2002 calendar year was 428,285 barrels. This exceeded the permitted rate of 364,416 barrels annually. This is a violation of General Condition II of Air Permit No. 0320-00059-00, LAC 33:III.501.C.4 and Section 2057(A)(2) of the Act.
- D. The 600 HP Compressor Engine (Emission Source EQT 12) was put into operation on February 25, 2002. The operating permit requires the Respondent to perform an initial stack test on this emission source within 180 days of start-up. The Respondent did not perform the initial stack test until August 13, 2003. Each day after the 180-day period that the initial stack test was not performed is a violation of General Condition II of Air Permit No. 0320-00059-00, LAC 33:III.501.C.4 and Section 2057(A)(2) of the Act.
- E. The Respondent failed to conduct semiannual stack tests for the period of February 2002 through August 2003 on the 600 HP compressor engine (Emission Source EQT 12) as required by the operating permit. Only one stack test has been performed and was conducted on August 13, 2003. The 600 HP compressor engine is currently being monitored on a semi-annual test schedule. Each failure to perform a semiannual stack test is a violation of General Condition II of Air Permit No. 0320-00059-00, LAC 33:III.501.C.4 and Section 2057(A)(2) of the Act.

### III

On or about November 22, 2004, a file review of Respondent's facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

While the Department's investigation is not yet complete, the following violation was noted during the course of the review:

According to the Respondent's monthly production ledger in an email attachment dated October 19, 2004, the oil production rate for the 2003 calendar year was 497.039 barrels. This exceeded the permitted rate of 364.416 barrels annually. This is a violation of General Condition II of Air Permit No. 0320-00059-00, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

### IV

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

### V

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay in lieu of the issuance of a penalty assessment, and the Department agrees to accept, a payment in the amount of THREE THOUSAND EIGHT HUNDRED NINETY-SEVEN AND 78/100 DOLLARS (\$3,897.78) of which Four Hundred Eighty-one and 22/100 Dollars (\$481.22) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

## VI

Respondent further agrees that the Department may consider the inspection report(s), the Consolidated Compliance Order and Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining the Respondent's compliance history.

## VII

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

## VIII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

## IX

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Beauregard Parish. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication

affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

X

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

XI

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XII

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

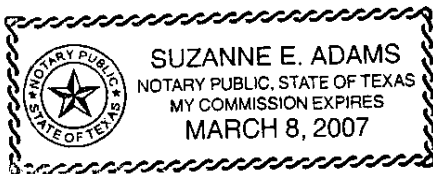
COX & PERKINS EXPLORATION, INC.

BY: Gary L. Arrington  
(Signature)

GARY L. ARRINGTON  
(Printed or Typed)

TITLE: Production Engineer

THUS DONE AND SIGNED in duplicate original before me this 24<sup>th</sup> day of February, 20 05, at 5847 SAN FELICE #700 Houston, TX 77057



Suzanne E. Adams  
NOTARY PUBLIC (ID #       )

SUZANNE E. ADAMS  
(Printed or Typed)

STATE OF LOUISIANA

Mike D. McDaniel, Ph.D., Secretary  
Department of Environmental Quality

BY: Harold Leggett  
Harold Leggett, Ph.D., Assistant Secretary  
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 18<sup>th</sup> day of May, 20 05, at Baton Rouge, Louisiana.

Jay Gbrioso  
NOTARY PUBLIC (ID # 28050)  
Jay Gbrioso  
(Printed or Typed)

Approved: Harold Leggett  
Harold Leggett, Ph.D., Assistant Secretary



CHARLES C. FOTI, JR.  
ATTORNEY GENERAL

State of Louisiana  
DEPARTMENT OF JUSTICE  
P.O. BOX 94005  
BATON ROUGE  
70804-9005

April 29, 2005



Mr. Herman Robinson, Executive  
La. Department of Environmental Quality  
Legal Affairs Division  
P.O. Box 4302  
Baton Rouge, LA 70821-4302

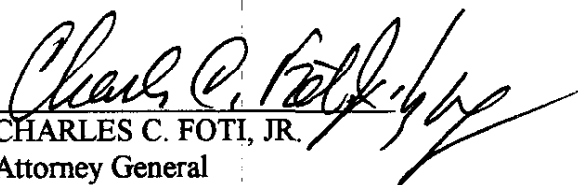
Re: AG Review of DEQ Settlement;  
Cox & Perkins Exploration, Inc.  
AE-CN-03-0346

Dear Mr. Robinson:

Pursuant to the authority granted to me by Art. IV, Sec. 8 of the state constitution and R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,

By:

  
CHARLES C. FOTI, JR.  
Attorney General

CCF/mlc